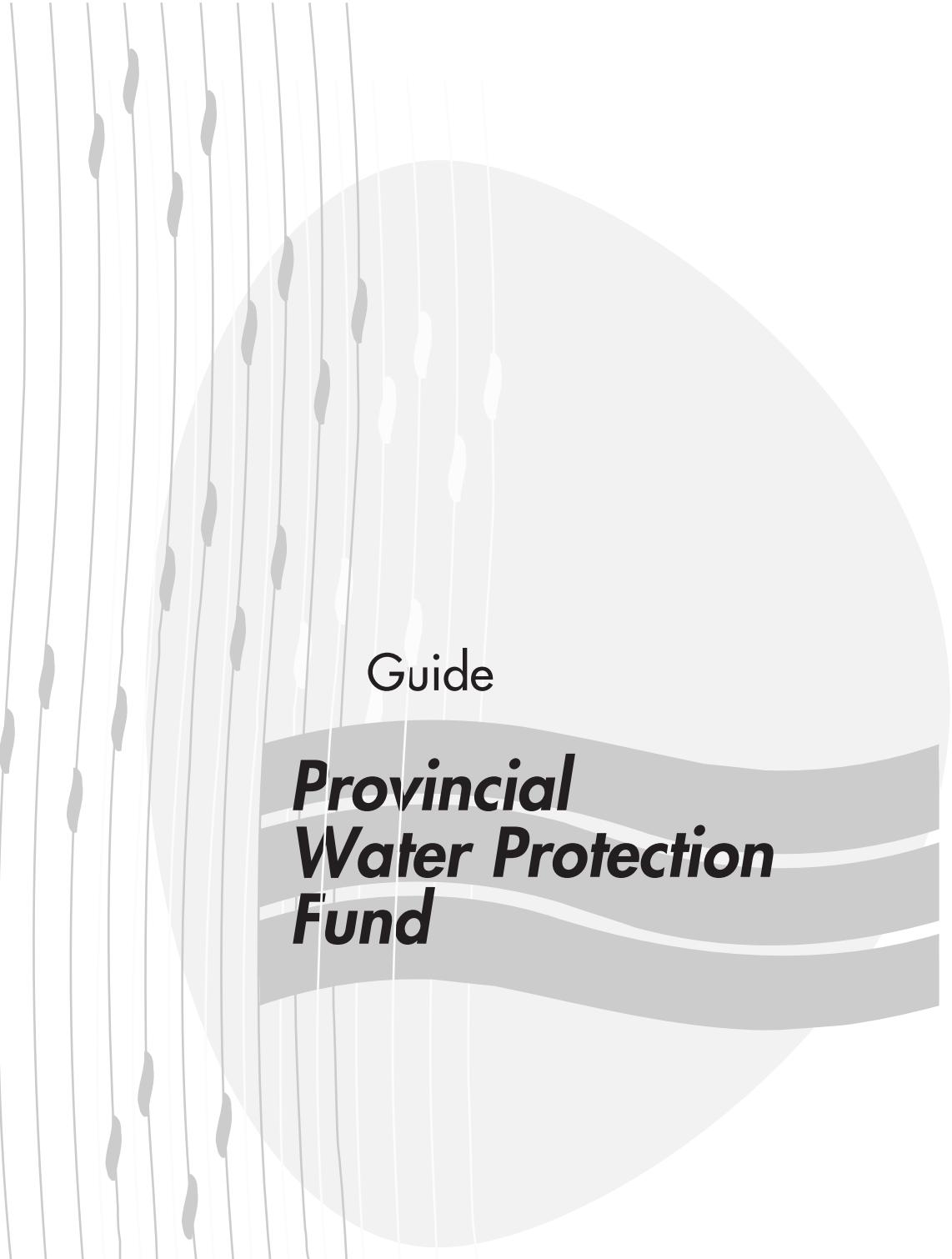




Ontario  
Ministry of the Environment



Guide

A large, light-grey circle is positioned in the center of the page. Overlaid on this circle are numerous thin, vertical grey lines of varying lengths, some ending in small, rounded grey shapes resembling water droplets or ovals. This creates a sense of depth and texture.

# ***Provincial Water Protection Fund***

September 1999

# **Guide to the Provincial Water Protection Fund**

**Ministry of the Environment**  
Environmental Sciences and Standards Division  
Environmental Partnerships Branch



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## ***What is the Provincial Water Protection Fund?***

The *Provincial Water Protection Fund* provides grants to municipalities to fix water and sewage infrastructure which is creating a problem for human health or the environment in their community. The operation and financing of water and sewage infrastructure is a municipal responsibility, but this fund recognizes that health and/or environment problems may arise from time to time. The Province has set aside money to assist municipalities should the need arise.

This fund has three important elements:

- assistance will only be provided to address infrastructure problems which affect the quality of drinking water and/or are polluting the environment;
- solutions to identified problems must be found by a full review of cost-effective alternatives and;
- the level of funding for an eligible project will be set by means of demonstrated financial need on the part of the municipality.

## ***How does the fund work?***

As described above, the fund has three elements which establish the basis for provincial assistance.

The first step involves identifying the health and/or environment related problem affecting the municipality. Eligible problems are defined later in this guide and these criteria will be strictly applied when reviewing applications.

## ***What criteria will be used to identify a health and environment problem?***

The second step requires a full examination of possible solutions to the problem, focusing on solutions which are cost-effective in terms of capital investment and long term operation requirements. Municipal applicants with an eligible problem will be required to document how they reviewed alternatives and arrived at a cost-effective solution. Funding assistance will be available to undertake this step.

The final step determines the level of funding for the eligible project. Funding will be determined using a number of factors including project cost, discretionary reserve funds, average household income, total taxable assessment per household and municipal population.

The following criteria define an immediate public health or environmental problem:

- Contaminants are above Maximum Acceptable Concentrations, as defined by Ontario Drinking Water Objectives, in treated drinking water systems or in a significant number of private wells.
- Drinking water is contaminated at the water supply source and/or due to current treatment processes.
- Municipal sewage treatment plant discharges chronically exceed effluent criteria specified in a Certificate of Approval and/or ministry policy.
- A significant number of individual septic systems are contaminating surface and/or ground water or causing sewage to pond on the ground surface.

## ***What types of projects are eligible for funding?***

Municipal water systems with periodic exceedances of Ontario Drinking Water Objectives that could be prevented or solved through improved operating practices or proper system maintenance are not eligible under this fund. Nor are municipal sewage discharges that could be prevented through improved operating practices or proper system maintenance. As well, water treatment plants without filtration and sewage treatment plants with primary treatment do not automatically qualify for assistance, unless there is a current health and/or environment problem with the system as described above.

Grants will be available for:

- identifying cost-effective solutions using system optimization, water efficiency, joint servicing schemes or other techniques to defer or reduce major capital costs (studies);
- capital projects that reduce or eliminate an immediate public health or environmental problem.

### **Cost-effective solutions**

To meet the fund requirement for identifying cost-effective solutions and to help reduce or defer capital investment requirements, grants will be available for conducting full exploration of optimization and efficiency. This includes studies on water efficiency and system optimization, area/joint servicing arrangements, upgrades of private septic systems and wells and upgrades of existing communal water/sewage works.

Studies eligible for funding are:

- Water Efficiency Study, Water System Optimization Study, Sewage System Optimization Study;
- Water Environmental Study Report, Sewage Environmental Study Report, Private Water System Study, Private Sewage System Study.

### **Capital projects**

The types of projects eligible for grant funding include:

- preliminary engineering and design work;
- major components of water and sewage systems;
- treatment and storage facilities, pumping stations;
- trunk water mains and trunk sanitary sewers;
- local water distribution and sewage collection systems in small municipalities;
- pipeline extensions;
- rehabilitation of private wells and septic systems;
- other works related to the capital project.

Eligible capital projects for water and sewage infrastructure must serve identified permanent communities. Funding is not available for:

- cottage communities;
- seasonal residences;
- trailer parks;
- commercial/industrial developments;

## ***How is the level of provincial assistance determined?***

- private communities, defined as condominium-type developments, or other privately-owned communal water or sewage services;
- projects that have received or are receiving funding under federal or other provincial capital funds.

To determine the level of funding for eligible capital projects, municipalities will be required to submit the following:

- estimated total project cost (see Appendix A for a complete list of eligible project costs);
- municipal reserve funds (water, sewage and other discretionary), total taxable assessment and average household income.

These factors will be taken into account together with a municipality's population through a blended affordability formula the details of which are provided in Appendix B.

In all cases, a municipality will be expected to contribute to the cost of the project.

Funding assistance for studies to review system optimization, water conservation and to find cost-effective solutions is based on the size of the municipality. See Appendix B for details.

## ***How does a municipality apply for a study grant?***

To receive assistance for the study required to determine a cost-effective solution, the appropriate study application must be submitted to the Ministry of the Environment (MOE).

It should be noted that funding for system optimization and water efficiency studies is available if the operating capacity of the water or sewage system is greater than 85% of its design capacity. Operating capacity refers to both the hydraulic capacity and the treatment capacity of the major components of a water or sewage facility.

## ***How does a municipality apply for a capital project grant?***

The following section describes the steps required to apply for a capital grant under the Provincial Water Protection Fund.

### **Step 1 - Assess eligibility**

- Before submitting an application, the municipality conducts a self-assessment to determine if it meets the fund eligibility criteria and to assess its financial capacity.
- The local MOE office and the local Medical Officer of Health must be consulted to confirm that an immediate and serious public health or environmental problem exists, and that corrective action is necessary.

### **Step 2 - Complete the appropriate studies**

- Where corrective action is necessary, a municipality completes the appropriate application and submits it to the ministry.

• Once corrective action is indicated, cost-effective solutions must be evaluated as part of an application for capital funding. The cost-effective solutions (studies) must be completed prior to the final consideration of eligible funding for the capital project.

- Where an environmental study report *has not* been completed, applicants will be informed whether the proposed capital project meets eligibility criteria. If it does, a grant may be awarded for the environmental study.

The estimated project cost will be determined following completion of the study. No capital commitment for construction work will be made before the study is completed and the preferred alternative has been selected.

- Where an environmental study report has already been completed prior to the announcement of the fund, the eligible project is considered for capital funding allocation.

### **Step 3 - Complete application**

- Applicants submit monitoring data collected from the previous three years, as well as current public health advisories, to demonstrate that strict criteria have been met. In the case of private wells and septic systems, specific sampling requirements are identified in the application.
- The municipality submits with the application any completed environmental studies and investigative work, such as an environmental study report, a water efficiency study, or optimization study.
- Municipal applicants also submit specific financial information required to determine the level of funding.

## **How will capital project proposals be reviewed?**

### **Step 4 - Attach supporting documentation**

When submitting a completed application, municipalities must attach a council resolution affirming that:

- A cost-effective solution as set out in the environmental study report is being sought.
- There is an active municipal water and sewage reserve account to help plan and pay for future capital expenditures and the orderly replacement of aging infrastructure.
- A preventive maintenance program is in place for the proper operation and maintenance of the communal water and sewage system.
- There are no discretionary capital budget expenditures that could be deferred.
- There are no opportunities to reduce current or planned debt financing through better matching debt terms to asset life or by reducing burden through lower current interest rates.

#### **1. Applications reviewed**

- MOE staff review applications for completeness and to ensure that they meet the eligibility criteria from a technical standpoint.
- Only complete applications will be evaluated and considered for funding, based on the information provided.
- The Project Review Committee, with representatives from the ministries of the Environment, Municipal Affairs and Housing, Natural Resources, Agriculture,

Food and Rural Affairs, and Northern Development and Mines, will have responsibility for reviewing applications according to the fund criteria.

- Allocated funds may only be used to cover net eligible project costs (minus GST rebates, tendering revenues and other rebates) directly related to an approved project.

## **2. Successful applicants notified**

- Municipalities that meet requirements for funding approval will receive notification letters from the province.
- The municipality enters into a funding agreement with the province to confirm conditions for provincial assistance and to ensure municipal accountability.

# **What are the fund requirements?**

Each municipality is solely and fully responsible for the implementation of its project, including obtaining all necessary environmental, technical and other required approvals.

## **Integrating efficiency optimization**

- The municipality will be required to integrate system optimization and water efficiency measures into any proposed capital projects to reduce or defer the capital expenditure.

### **Funding agreements**

- The funding agreements with municipalities will include provision for payment, advances and hold-backs, as well as monitoring and reporting requirements to ensure that the approved scope of project work is achieved within the approved budget.

### **Call for tenders**

- The provincial policy on competitive pricing requires that projects, including construction contracts, studies, project management and engineering service contracts, be awarded on a competitive basis with due regard for getting the best value for the public money spent.
- The municipality calls for public tenders and reviews the project cost after tender opening. The grant will be based on the lowest responsible tender submitted.

### **Flow of money**

The municipality submits the following to MOE:

- list of bidders and prices;
- form of tender of lowest bidder;
- detailed cost breakdown of lowest bidder;
- council resolution on award of major contracts;
- payment request documenting total eligible expenditures to date, quantifying the grant advance and indicating quarterly calendar projection for the duration of the project.

## ***How will capital funding projects be administered?***

### **Project audit**

- When construction is complete and final costs known, the municipality submits to MOE a Certified Statement of Final Costs and supporting documentation with a request for an audit.
- Municipalities will be expected to retain all project documents and records for three (3) years after completion of the project audit.

### **Five-year capital plan**

- The Municipality must prepare and keep on file, a five-year water and sewer capital plan that outlines how it intends to meet its financial and other commitments for water and sewage infrastructure.

- The MOE determines the eligible project amount and processes the payment to the municipality.
- A hold back of 10 per cent is retained on claims until a project cost audit is completed. This hold back will be released following satisfactory review of the final claim submitted by the municipality.
- MOE reviews the project costs in detail to establish the net eligible costs, prepares an Audit Statement, and processes final payment to the municipality. In the case of an overpayment, MOE processes an invoice to the municipality.

## ***What application does a municipality fill out?***

There are four separate applications, depending on the type of proposal to be undertaken:

- Water Construction Project;
- Sewage Construction Project;
- Water Efficiency Study, Sewage System Optimization Study, Water System Optimization Study;
- Water Environmental Study Report, Sewage Environmental Study Report, Private Water System Study, Private Sewage System Study.

Applications are available by contacting the ministry at the address below.

## ***Where can I get more information?***

Ministry of the Environment  
Environmental Partnerships Branch  
Water and Sewage Infrastructure Section  
40 St. Clair Ave. West  
14<sup>th</sup> Floor  
Toronto On M4V 1M2  
Phone (416) 314-4612  
Fax (416) 314-0444

## APPENDIX A

### Eligible project costs

1. Eligible costs are all direct costs properly and reasonably incurred and paid solely and specifically in relation to an approved project, as follows:
  - Construction costs to perform the work covered in the plans and specifications for the project are eligible, provided the costs are properly supported by contractors' payment certificates, change orders, final measurement summaries, and invoices for materials not supplied under a construction contract. No handling cost or administrative markup is allowed on materials or equipment supplied directly by the municipality. Construction contracts must be competitively tendered.
  - In-house labour costs when a municipality uses its own forces for construction of the project are eligible, provided the costs are properly supported by work authorizations and time sheets. The normal payroll burden of the municipality (up to a maximum of 35 per cent) is allowed on these labour costs.
  - Engineering costs paid to professionals, specialists and project management consultants for design, contract administration and construction inspection for the project are eligible, provided these costs are properly supported by invoices. The prime consultants must be selected using a competitive process.
  - When a municipality does not engage consulting services for design, contract administration or construction inspection for the project, in-house engineering costs are eligible, provided these costs are properly supported by work authorizations and time sheets. In-house engineering costs of up to six per cent of the construction costs are allowed for design and another six per cent for inspection and contract administration, provided these costs are properly supported.
  - Land costs and legal expenses related to land and easement acquisitions for the project are eligible for funding provided these costs are properly supported.
  - Costs for individual private systems, including replacement wells and replacement septic tanks, are eligible for funding under this fund.

2. Miscellaneous costs that are a direct result of the project, such as tender advertising, and site restoration costs, are eligible, provided these costs are properly supported by invoices. General overhead costs, municipal administration or executive costs, or financing costs are **not** eligible.
3. A municipality's administrative costs, including debenture costs, courier, postage, taxi, transportation, printing, reproduction, photographic, meeting and telephone costs, the cost of surveying and drafting supplies, and costs related to a site office or trailer, are **not** eligible for funding under this fund.
4. A municipality's ongoing operations and maintenance costs, including staff wages and expenses, laboratory supplies and expenses, and spare parts, are **not** eligible for funding under this fund.
5. Costs for purchased movable equipment, not included in the permanent works, such as trucks, loaders, and portable pumps, are **not** eligible for funding under this fund.
6. The MOE will be the final authority for interpretation of eligible project costs, and may grant a special exception for project costs if application is made in advance of the expenditure being made.
7. If a municipality uses the funds for any purpose that does not comply with the fund eligibility criteria, or for which the MOE has not granted a special exception, the municipality will be required to return these funds to the province.
8. Cost overruns are the sole responsibility of the municipalities implementing the projects. MOE may, at its discretion and subject to budget limitations, approve additional cost-shared project funding.

**Note:** Municipal administrative costs and costs related to municipal borrowing and interest costs, and costs related to applying for funding are not eligible for funding.

## APPENDIX B

### **Capital projects - Blended affordability formula**

The Blended Affordability Formula includes a portion of the water and sewer reserves and discretionary reserve funds of the municipality responsible for providing the water and sewer service. The reserve adjustment in the formula for each project is 10% of the discretionary reserve funds.

The Blended Affordability Formula also incorporates consideration of average household income in the local municipality that is benefiting from the project. Where the municipal average household income is above the provincial median for municipalities, the household income adjustment in the formula will be applied, to a maximum of 20%.

The Blended Affordability Formula also incorporates total taxable assessment of the local municipality that is benefiting from the project. Where the total taxable assessment per household is above the provincial median for municipalities, the tax assessment adjustment in the formula will be applied, to a maximum of 20%.

**Note:** Taxable assessment information supplied to the Province will be equalized for purposes of comparison among municipalities.

The Blended Affordability Formula also includes an adjustment based on the population of the local municipality that is benefiting from the project. A sliding scale adjustment from 10% to 90% is related to the size of the local municipality benefiting from the project. A population factor of 90% is applied where the municipality has a population of 1,000 or fewer. The factor declines to 10% for municipalities with populations of 100,000 or more.

**Formula:** (Total project cost minus the Adjustment for Municipal Reserves) times an Adjusted Funding Percentage for household income, taxable assessment and population.

## **Cost-effective solutions - Population formula**

A goal of the Provincial Water Protection Fund is that municipalities identify and implement cost-effective solutions to water and sewage problems.

### **Types of studies supported**

In support of this goal, the following studies are eligible for funding:

- Environmental Study Report and Private Systems Study (water and sewage)
- Water Efficiency, Water System Optimization and Sewage System Optimization Studies

Environmental study reports fulfill the requirements of the Environmental Assessment Act and serve to identify alternative solutions, including a cost-effective alternative, to a public health and/or environment problem. The study includes investigating and reporting on the feasibility of utilizing neighbouring municipal infrastructure, including joint/area servicing schemes, as a cost-effective alternative to constructing separate treatment facilities to resolve health or environment problems. The study application package provides details as to the purpose and objectives of these studies.

Water efficiency and optimization studies enable municipalities to identify cost-effective alternatives to expansion of water and sewage works. Applicants should target one or a combination of the following key areas: water conservation and efficiency, optimization of water works, optimization of sewage works. The purpose of water efficiency and optimization studies is to identify cost-effective opportunities to implement water conservation measures that increase a community's water efficiency and thereby eliminate, reduce or defer the need for capital expansion to its water and/or sewage works. The individual study application package provides details as to the purpose and objectives of these studies.

### **Level of funding**

Sliding scale funding assistance for studies is based on the population of the municipality. Where the municipal population is 1,000 or less, 90 per cent of the study cost will be funded. Assistance declines to 10 per cent of study costs for municipalities with populations of 100,000 or more.

**NOTE:** When applying for either a capital project grant or a study grant in 1997-98, municipalities that have amalgamated since January 1996 should report pre-amalgamation figures. If the proposed project is to service only one of the municipalities that existed before amalgamation, the population given in the 1996 Municipal Directory for that municipality will be used to calculate the level of assistance. If the proposed project is to service two or more of the municipalities that existed before amalgamation, a weighted grant percentage based on those municipalities will be used to calculate the level of assistance. In unorganized territories, the population served by the Local Services Board or local community will be used.